MULTIMEDIA UNIVERSITY

STUDENT ID NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2016/2017

DFA5058 – FINANCIAL ACCOUNTING

(For Diploma Students Only)

11th OCTOBER 2016
2.30 p.m. – 4.30 p.m.
(2 Hours)

INSTRUCTIONS TO STUDENT

1. This question paper consists of **5** pages with **4** questions.
2. Answer **ALL** questions.
3. Write your answers in the answer booklet provided.

QUESTION 1

Sweet Elle Company prepares monthly financial statements. Below is the trial balance for the company for the month of September 30 before any adjustments have been made.

Sweet Elle Company
Trial Balance
September 30, 2016

	Debit (RM)	Credit (RM)
Cash	10,600	
Account Receivable	4,200	
Supplies	1,850	
Prepaid Insurance	2,400	
Equipment	24,000	
Accumulated Depreciation—Equipment		RM4,800
Account Payable		9,200
Salaries and Wages Payable		1,000
Unearned Service Revenue		850
Elle, Capital		26,000
Elle, Drawings	1,200	
Service Revenue		5,600
Supplies Expense	900	
Insurance Expense	600	
Salaries and Wages Expense	1,700	
	RM47,450	RM47,450

An analysis of the account balances prepared by the company's accountant provided the following additional information:

1. A physical count of supplies revealed RM1,300 on hand as at September 30.
2. Prepaid insurance expired for the month is RM200.
3. Equipment depreciated RM4,800 per year.
4. Services were performed for 80% of the unearned service revenue.
5. Collected RM1,500 on customer accounts.
6. Salaries payable of RM700 were paid at September 30.
7. Accrued utility expenses RM300.

Instructions

(a) Prepare the adjusting entries for Sweet Elle Company for the month of September 30. Show all your workings. (8 marks)

(b) Prepare the Adjusted Trial Balance for the month. (10 marks)

(c) Briefly explain any **ONE (1)** difference between revenue recognition principle and expense recognition principle. (4 marks)

(d) Identify the first **SIX (6)** steps in accounting cycle. (3 marks)

[TOTAL 25 MARKS]

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QUESTION 2

Part A

Pinky Company had the following adjusted trial balance. In preparing for the next accounting period, the company need to close the books. In closing the books, the company need to differentiate between temporary and permanent accounts.

Pinky Company
Adjusted Trial Balance
September 30,2016

Account titles	Debit (RM)	Credit (RM)
Cash	6,250	
Accounts Receivable	2,500	
Supplies	200	
Accounts Payable		1,300
Unearned Service Revenue		450
Patrick, Capital		5,700
Patrick, Drawing	300	
Service Revenue		4,950
Interest Revenue		850
Salaries Expense	3,500	
Supplies Expense	570	
Utilities Expense	430	
Salaries Payable		500
	13,750	13,750

Instructions

(a) Briefly explain any **TWO (2)** differences between temporary accounts and permanent accounts. Provide any **TWO (2)** examples for each category. (6 marks)

(b) Journalize the closing entries at September 30, 2016. (6.5 marks)

(c) Post the related entries to Patrick, Capital account. How much is the adjusted amount for Patrick, Capital account? (2.5 marks)

Part B

For the following accounting practices, indicate which accounting assumption, principle, or qualitative characteristic that is applicable.

1. Financial statements are prepared each year.
2. Insurance paid in advance is recorded as prepaid insurance.
3. The quality of information that indicates the information makes difference in a decision.
4. Personal transactions of the owner are distinguished from business transactions.
5. The company use the same inventory valuation method from year to year.
6. The information given in the financial statement are free from error and bias.
7. Ensure that all relevant financial information is reported.

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8. Indicates that market value changes subsequent to purchase are not recorded in the accounts.
9. Company recognise revenue in the accounting period in which it is earned.
10. Assumes that Ringgit Malaysia is the 'measuring stick' used to report the financial performance.

(10 marks)
[TOTAL 25 MARKS]

QUESTION 3

Swan Shawl Corporation (SSC) is a famous distributor of imported premium quality shawls in Malaysia. During the month of March 2015, the following transactions took place.

March 1	Purchased 250 silk shawls which cost RM150 each on account from Turkey manufacturer. The terms were 5/10, n/30 FOB shipping point. The appropriate party also paid cash RM2,500 for freight.
3	Returned 50 silk shawls to Turkey manufacturer.
9	Paid off the amount due from Turkey manufacturer.
15	Sold 150 silk shawls to Duck Scarves on account for RM300 each with terms 3/10, n/30 FOB destination. The appropriate party also paid cash RM600 for freight.
17	Duck Scarves returned 20 defective silk shawls.
18	Donated 280 batik shawls worth RM22,400 to Bakit Amal Charity.
20	Purchased 400 pashmina shawls on account from Kashmir manufacturer for RM180 each. The terms were 5/10, n/30 FOB shipping point. The appropriate party also paid cash RM2,000 for freight.
22	Kashmir manufacturer granted a reduction on total price of RM1,000 for slightly inferior quality pashmina shawls.
23	Paid billboard advertising for RM5,500 by cash.
24	Sold 300 pashmina shawls to Luxury Hijab for RM360 each on account with terms 3/10, n/30 FOB shipping point. The appropriate party also paid cash RM500 for freight.
26	Granted a reduction on total price of RM1,500 to Luxury Hijab for slightly inferior quality pashmina shawls.
29	Received payment from Duck Scarves.
31	Received payment from Luxury Hijab.

Instructions

(a) Journalise the above transactions by using the Perpetual Inventory System.
(20 marks)

(b) Briefly explain the statements below.

i. A merchandiser frequently has a need to use contra accounts related to the sale of goods. Identify **TWO (2)** contra accounts that have normal debit balances and explain why they are not considered expenses. (3 marks)

ii. Differentiate between FOB shipping point and FOB destination. (2 marks)

[TOTAL 25 MARKS]

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QUESTION 4

Part A

Following are the information of reconciliation for Blue Wave Bhd by comparing their Bank Statement and Cash Book as at June 30, 2016. This information is required in preparing the bank reconciliation.

i. Bank balance and cash balance of Blue Wave Bhd as at June 30, 2016 are RM25,000 and RM24,156 respectively.

ii. The Bank Statement includes two charges for NSF cheques from customers where RM88 from Mr. Yap and RM220 from Ms. Elaine.

iii. The Bank Statement of Blue Wave Bhd includes two unrecorded deposits which are dividend revenue of RM1,200 and interest revenue of RM100.

iv. The following Blue Wave Bhd cheques are outstanding as at June 30, 2016:

Cheque No.	Amount (RM)
400	200.00
402	320.00
498	50.00

Cheque No.	Amount (RM)
499	67.00
500	190.00
501	85.00

v. Blue Wave Bhd collects from a few customers by EFT. The CIMB statement lists RM180 EFT deposit for a collection on account.

vi. The Bank Statement lists RM10 subtraction for the service charge.

vii. Blue Wave Bhd's treasurer deposited RM500 on June 30, 2016, but this deposit was not appear on the Bank Statement.

viii. RM730 deduction for a cheque drawn by Blue Wave Bhd is included in the Bank Statement and the company notified the bank of this bank error.

Instruction

Prepare the Bank Reconciliation Statement for Blue Wave Bhd as at June 30, 2016.

(15 marks)

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Part B

The comparative Statement of Financial Position of Happy Company presented below:

Happy Company
Comparative Statement of Financial Position
As at March 31

	2015 (RM)	2016 (RM)
Non-current Assets		
Land and building	320,000	370,000
Plant and machinery	250,000	310,000
	570,000	680,000
Current Assets		
Cash at bank	157,000	200,000
Supplies	90,000	98,000
Account receivables	54,000	61,000
Prepaid expenses	15,000	25,000
Total Assets	886,000	1,064,000
Owner's equity		
Owner's capital	400,000	480,000
Long-term liability		
Note payables – bank loan	300,000	350,000
Current liabilities		
Account payables	100,000	126,000
Unearned revenue	86,000	108,000
Total Liabilities and Owner's Equity	886,000	1,064,000

Instructions

(a) Using horizontal analysis, show the percentage change for each Comparative Statement of Financial Position item using 2015 as a base year. (3 marks)

(b) Using vertical analysis, prepare a common size comparative Statement of Financial Position. (7 marks)

[TOTAL 25 MARKS]

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